

**LOESS HILLS ALLIANCE  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

## TABLE OF CONTENTS

	Page
Independent Auditors' Report	3-4
Management's Discussion and Analysis	5-8
Financial Statements:	
Statements of Financial Position	10
Statements of Activities	11
Statements of Cash Flows	12
Notes to Financial Statements	13-15
Other Information	
Budgetary Comparison Schedule	16
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17-18



Marilyn Schroer, CPA  
Diane McGrain, CPA  
Jim Menard, CPA

October 16, 2012

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Loess Hills Alliance  
Council Bluffs, IA

We have audited the accompanying statements of financial position of the Loess Hills Alliance (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Loess Hills Alliance as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

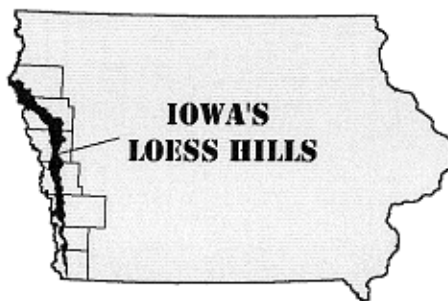
In accordance with *Government Auditing Standards*, we have also issued a report dated October 16, 2012 on our consideration of Loess Hills Alliance's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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October 16, 2012  
Loess Hills Alliance  
Independent Auditors' Report

Our audits were conducted for the purpose of forming an opinion on the financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 5 through 9 and 17 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Schroeder & Associates, P.C.*



## LOESS HILLS ALLIANCE

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management of the Loess Hills Alliance (LHA) provides this Management's Discussion and Analysis of the LHA's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the LHA's financial statements which follow.

### 2012 Financial Highlights

- LHA state appropriations were \$118,750 for fiscal year 2012 and \$177,000 for fiscal year 2011. These funds were matched with federal and other sources of program funding, resulting in an average match ratio of 5:1 with \$1 of state appropriation being matched on average with \$5 of additional support. In individual grant projects, a ratio of nearly 30:1 has been recorded.
- The LHA's total revenues for fiscal year 2012 decreased by 19.7% as compared to fiscal year 2011, largely due to the decrease in state appropriations.
- The LHA's net assets decreased by \$21,293, or approximately 7%, from June 30, 2011 to June 30, 2012.
- The LHA's total liabilities and net assets decreased by \$31,179 or approximately 9%, from June 30, 2011 to June 30, 2012. The decrease in the LHA's total liabilities and net assets is mainly due to a decrease in state funding.

### Using this Annual Report

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the LHA's financial activities.

The basic financial statements consist of a Statement of Financial Position including Assets, Liabilities, and Net Assets, a Statement of Activities and Changes in Net Assets, and a Statement of Cash Flows. These statements provide information about the activities of the LHA, on a comparative basis, including resources held by the LHA but restricted for specific purposes by legislation or by the LHA's Board of Directors.

Notes to Financial Statements (pg. 13-15) provide additional information essential to a full understanding of the data provided in the basic financial statements.

## Reporting the LHA's Financial Activities

### *The Statement of Financial Position and Statement of Activities and Changes in Net Assets*

One of the most important questions regarding the LHA's finances is "Was the LHA monetarily able to attain its goals during the year?" The Statement of Financial Position and the Statement of Activities and Changes in Net Assets report information about the LHA's resources and its activities in a way that helps answer this question. These statements include all assets (restricted and unrestricted) and all liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the LHA's net assets, which is the difference between assets and liabilities, as one way to measure the LHA's financial position. Over time, increases or decreases in the LHA's net assets are one indicator of whether its financial position is improving or deteriorating. Additional factors, such as changes in appropriations and legislation, and reductions in the amount of local matching funds available, are also important in making this determination.

### *The Statement of Cash Flows*

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from three defined types of programs/activities: economic development grants, natural resource protection grants, and private lands stewardship development projects. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

## Financial Analysis of the LHA

As noted earlier, net assets may serve over time as a useful indicator of financial position. The LHA's net assets decreased by \$57,023 or approximately 14% from fiscal year 2011 to fiscal year 2012.

<b>Assets, Liabilities and Net Assets</b>		
	June 30,	
	2012	2011
<b>Assets</b>		
Current Assets		
Cash and Cash Equivalents	\$ 321,407	353,319
Net Property and Equipment	778	-
Prepaid Expense	130	175
Total Assets	<u>322,315</u>	<u>353,494</u>
<b>Current Liabilities and Net Assets</b>		
Current Liabilities		
Accounts Payable	\$ 31,923	41,809
Total Liabilities	<u>31,923</u>	<u>41,809</u>
Net Assets		
Unrestricted		
Invested in Property and Equipment	778	-
Reserved for Prepaid Expense	130	175
Undesignated	<u>16,915</u>	<u>12,215</u>
	<u>17,823</u>	<u>12,390</u>
Temporarily Restricted	<u>272,569</u>	<u>299,295</u>
Total Net Assets	<u>290,392</u>	<u>311,684</u>
Total Liabilities and Net Assets	<u>\$ 322,315</u>	<u>353,494</u>

All restricted fund resources are available immediately and obligated to the committees' programs as approved each fiscal year. Carryover committee budget obligations from previous fiscal years, increase operating expenses and decrease net assets in current fiscal years, as programs are completed.

The following shows the changes in net assets for the LHA.

<b>Revenues, Expenses and Changes in Net Assets</b>		
	June 30,	
	2012	2011
Operating revenues:		
State appropriations	\$ 118,750	177,000
County and private support	32,500	11,000
Other	498	341
Total operating revenues	151,748	203,047
Operating expenses:		
Economic development committee	\$ 47,755	57,247
Executive committee	26,492	40,400
Protection committee	38,400	88,600
Stewardship committee	50,496	66,312
Project driven committee	10,684	20,000
Provision for depreciation	71	44
Total operating expenses	173,898	272,603
Non-operating revenues:		
Interest earned	857	1,791
Total non-operating revenues	857	1,791
Change in net assets	\$ (21,293)	(82,471)
Net assets-beginning of year	311,685	394,156
Net assets-end of year	\$ 290,392	311,685

With the commitment by the State of Iowa to continue funding through 2012, the LHA has been able to deliver quality programs to western Iowa and the Loess Hills area.

The Loess Hills Alliance works with agencies and partners throughout the Loess Hills region to evaluate and develop programs to serve the region. These programs often require volunteer efforts which are vital to the success and accomplishments of the region and have a substantial but unrecognized value in this report for the Loess Hills Alliance and citizens of the Loess Hills.

## Budgetary Highlights

The LHA's expenditures for fiscal year 2012 were approximately \$28,148 more than anticipated, or 19% over budget. Programs and activities approved in each of the committees often require more than one fiscal year to complete. Grant agreements and extensions are completed to carry projects forward from previous fiscal years to be paid in current fiscal years. Funds are designated to programs as they are approved, and paid as they are completed.

## **Factors Affecting the LHA's Future**

The LHA continued to maintain a good financial position during the current fiscal year. However, the condition of the national, state, and local economies will continue to be a concern for the LHA Board of Directors. Some of the realities that may potentially become challenges for the LHA are:

- Ensuring that natural and cultural resource protection and economic development of the Loess Hills remains an important issue in the eyes of federal, state, county, and local governments.
- Reductions in state appropriations.

## **Contacting the LHA's Financial Management**

This financial report is designed to provide federal, state, and county governments, partners, and taxpayers with a general overview of the LHA's finances and to show the LHA's accountability for the money it receives. If you have questions about this report and/or need additional financial information contact:

Loess Hills Alliance  
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Oakland, IA 51560-0189

Phone # 712-482-3029



## **FINANCIAL STATEMENTS**

**LOESS HILLS ALLIANCE**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2012 AND 2011**

**ASSETS**

	<u>2012</u>	<u>2011</u>
Current assets		
Cash and cash equivalents	\$ 321,407	\$ 353,319
Prepaid expenses	130	175
Total current assets	<u>321,537</u>	<u>353,494</u>
Equipment		
Equipment	5,257	8,187
Less accumulated depreciation	<u>4,479</u>	<u>8,187</u>
Net property and equipment	<u>778</u>	<u>-</u>
Total assets	<u>\$ 322,315</u>	<u>\$ 353,494</u>

**LIABILITIES AND NET ASSETS**

Current liabilities		
Accounts payable	\$ 31,923	\$ 41,809
Total current liabilities	<u>31,923</u>	<u>41,809</u>
Net assets		
Unrestricted		
Invested in property and equipment	778	-
Reserved for prepaid expense	130	175
Undesignated	<u>16,915</u>	<u>12,215</u>
	17,823	12,390
Temporarily Restricted		
State funds	<u>272,569</u>	<u>299,295</u>
Total net assets	<u>290,392</u>	<u>311,685</u>
Total liabilities and net assets	<u>\$ 322,315</u>	<u>\$ 353,494</u>

See Accompanying Notes to Financial Statement

**LOESS HILLS ALLIANCE  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>						
State appropriations	\$ -	118,750	118,750	-	177,000	177,000
County support	6,000	10,250	16,250	8,000	3,000	11,000
Private support	-	16,250	16,250	-	-	-
Interest	-	857	857	-	1,791	1,791
Miscellaneous	-	498	498	-	341	341
Temporarily restricted funds released from restrictions	173,331	(173,331)	-	272,559	(272,559)	-
Total support and revenue	179,331	(26,726)	152,605	280,559	(90,427)	190,132
<b>Expenses</b>						
Economic development	47,755	-	47,755	57,247	-	57,247
Executive committee	26,492	-	26,492	40,400	-	40,400
Protection committee	38,400	-	38,400	88,600	-	88,600
Stewardship committee	50,496	-	50,496	66,312	-	66,312
Project driven	10,684	-	10,684	20,000	-	20,000
Depreciation	71	-	71	44	-	44
Total expenses	173,898	-	173,898	272,603	-	272,603
Change in net assets	5,433	(26,726)	(21,293)	7,956	(90,427)	(82,471)
Net assets, beginning of year	12,390	299,295	311,685	4,434	389,722	394,156
Net assets, end of year	\$ 17,823	272,569	290,392	12,390	299,295	311,685

See Accompanying Notes to Financial Statement

**LOESS HILLS ALLIANCE  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (21,293)	(82,471)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	71	44
(Increase) decrease in:		
Prepaid expenses	45	-
Increase (decrease) in:		
Accounts payable and payroll liabilities	(9,886)	25,449
Net cash used by operating activities	<u>(31,063)</u>	<u>(56,978)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of equipment	(849)	-
Net cash used by investing activities	<u>(849)</u>	<u>-</u>
Net change in cash	(31,912)	(56,978)
Cash and cash equivalents, beginning of year	<u>353,319</u>	<u>410,297</u>
Cash and cash equivalents, end of year	\$ <u>321,407</u>	<u>353,319</u>

See Accompanying Notes to Financial Statement

**LOESS HILLS ALLIANCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Nature of Activities – The Loess Hills Alliance is a private nonprofit corporation organized under Chapter 504(A), Code of Iowa in 1981. The Organization's primary focus is to protect special natural and cultural resources while ensuring economic viability and private property rights of the loess soils region of western Iowa.

The Organization is funded primarily through appropriations from state governmental agencies and support from local county governments.

The accompanying financial statements, which include all programs administered by Loess Hills Alliance, have been prepared in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other accounting principles appropriate for non-profit associations.

The Organization's Board of Directors is comprised of three members appointed by the board of supervisors of each county participating in the Alliance and at least one of the appointees shall be a member of the board of supervisors from each county. Seven additional members shall be persons with experience in the fields of environmental affairs, conservation, finance, development, tourism, or related fields, and whom the Loess Hills Alliance shall appoint.

The statements of financial position, activities, and cash flows are all organization-wide financial statements. They report information for all Loess Hills Alliance's activities, which are in turn all deemed to be governmental activities. The Organization has no proprietary type activities.

Revenue Recognition – Revenues from appropriations, grants and other services are recognized when received or accrued. State appropriations, and interest earned thereon, in excess of related program expenses are recorded as temporarily restricted net assets until those funds are expended.

Income Taxes – The Organization is considered to be an affiliate of a governmental unit and a non-profit organization under Section 501(c)(3) of the Internal Revenue Code and; accordingly, no provision has been made for income tax liabilities or expense. The Organization is not considered a private foundation.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**LOESS HILLS ALLIANCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Cash Equivalents – For the purpose of the statements of cash flows, the Organization considers all highly liquid debt instruments purchases with maturity of three-months or less to be cash equivalents.

Concentration of Credit Risk – The Organization receives a substantial portion of its revenue from state grants. A significant reduction in the level of government funding would have a major effect on the Organization's programs and activities.

Cash funds deposited in excess of federally insured limits are protected by the Iowa State Sinking Fund for banks and savings associations, which covers Iowa uninsured public funds.

Fair Value of Financial Instruments – The carrying amounts of cash, prepaids, accounts payable, and payroll liabilities approximate their fair values due to the short-term maturities of these financial instruments.

Donor Imposed Restrictions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support depending on the nature of the restriction. The Organization has no permanently restricted net assets.

Donated Facilities – The value of contributed facilities meeting the requirements for recognition in the financial statements was recorded at market rates. One county is contributing office space for use by the Organization in lieu of a cash contribution. The market value of rent for this space was determined to be \$3,000 per year and is reported as County Support and as an Executive Committee expense.

Grants Receivable – Grants receivable represents amounts due from the State of Iowa for grants and reimbursement.

Property and Equipment – Equipment consists primarily of office equipment and is recorded at cost. Depreciation is provided on a straight-line basis over the five year estimated lives of the equipment.

Date of Management Review – Management has evaluated subsequent events through October 16, 2012, the date the financial statements were available to be issued.

**LOESS HILLS ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**NOTE 2 COOPERATIVE AGREEMENT**

In 2004, the Organization entered into a cooperative agreement with Golden Hills Resource Conservation and Development, Inc. Under this agreement, Golden Hill Resource Conservation and Development, Inc. agreed to provide management of Loess Hills Alliance's funds including bookkeeping services, payroll services, and monthly and annual reporting. No agreement was signed for fiscal year 2012 and 2011, however, there was a verbal understanding to continue with the agreement and such expenses were approved in the budget of Loess Hills Alliance. The Organization expensed \$9,188 and \$10,653 for these services for the years ended June 30, 2012 and 2011, respectively. There was \$3,229 and \$3,710 due to Golden Hills included in accounts payable at June 30, 2012 and 2011, respectively.

**NOTE 3 RELATED PARTY TRANSACTION**

Loess Hills Alliance received \$118,750 and \$177,000 in passed through state support from Loess Hills Development and Conservation Authority for each of the years ended June 30, 2012 and 2011, respectively. Loess Hills Development and Conservation Authority is considered an affiliate of this governmental unit. Loess Hills also expensed \$1,781 and \$1,770 in administrative support to this Organization for the year ended June 30, 2012 and 2011, respectively.

**NOTE 4 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consists of funds received to protect special natural and cultural resources while ensuring economic viability and private property rights of the loess soils region of western Iowa. The organization releases funds from restriction when expenses are incurred. Temporarily restricted net assets available were \$272,569 and \$299,295 for the years ended June 30, 2012 and 2011 respectively.

**LOESS HILLS ALLIANCE  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2012**

	Budget	Actual	Budget Variance Favorable (Unfavorable)
Support and Revenue			
State appropriations	\$ 122,250	118,750	(3,500)
County and private support	23,500	32,500	9,000
Interest	-	857	857
Miscellaneous	-	498	498
Total support and revenue	<u>145,750</u>	<u>152,605</u>	<u>6,855</u>
Expenses			
Economic development committee	56,500	47,755	8,745
Executive committee	23,250	26,492	(3,242)
Protection committee	33,000	38,400	(5,400)
Stewardship committee	33,000	50,496	(17,496)
Project driven committee	-	10,684	(10,684)
Depreciation	-	71	(71)
Total expenses	<u>145,750</u>	<u>173,898</u>	<u>(28,148)</u>
Change in net assets	-	(21,293)	(21,293)
Net assets, beginning of year	<u>311,685</u>	<u>311,685</u>	<u>-</u>
Net assets, end of year	\$ <u>311,685</u>	<u>290,392</u>	<u>(21,293)</u>

See accompanying independent auditors' report





Marilyn Schroer, CPA  
Diane McGrain, CPA  
Jim Menard, CPA

October 16, 2012

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Loess Hills Alliance  
Oakland, IA

We have audited the financial statements of Loess Hills Alliance (a nonprofit organization) as of and for the year ended June 30, 2012 and 2011, and have issued our report thereon dated October 16, 2012. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Loess Hills Alliance's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Loess Hills Alliance's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Continued...

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October 16, 2012  
Loess Hills Alliance  
Report on Compliance

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Loess Hills Alliance's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Loess Hills Alliance during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

This report is intended solely for the information and use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

*Schwee & Associates, P.C.*